

|                                 |   |                               |  |
|---------------------------------|---|-------------------------------|--|
| <i>SERFF Tracking Number:</i>   | <i>AMAX-125481642</i>   | <i>State:</i>                 | <i>Arkansas</i>  |
| <i>Filing Company:</i>          | <i>American Association of Insurance Services</i>                                 | <i>State Tracking Number:</i> | <i>EFT \$50</i>  |
| <i>Company Tracking Number:</i> | <i>AAIS-2008-8</i>  |                               |  |
| <i>TOI:</i>                     | <i>01.0 Property</i>  | <i>Sub-TOI:</i>               | <i>01.0001 Commercial Property (Fire and Allied Lines)</i> |
| <i>Product Name:</i>            | <i>Commercial Properties</i>  |                               |  |
| <i>Project Name/Number:</i>     | <i>CW CP Fire Protection Classification (Rule 2.2) - AAIS-2008-8 /AAIS-2008-8</i> |                               |  |

## Filing at a Glance

Company: American Association of Insurance Services

|  |                              |   |
|--|------------------------------|---|
| Product Name: Commercial Properties                          | SERFF Tr Num: AMAX-125481642 | State: Arkansas   |
| TOI: 01.0 Property   | SERFF Status: Closed         | State Tr Num: EFT \$50  |
| Sub-TOI: 01.0001 Commercial Property (Fire and Allied Lines) | Co Tr Num: AAIS-2008-8       | State Status: Fees verified and received                        |
| Filing Type: Rule  | Co Status:                   | Reviewer(s): Betty Montesi, Llyweyia Rawlins, Brittany Yielding |
|  | Author: SPI AAIS             | Disposition Date: 02/22/2008                                    |
|  | Date Submitted: 02/11/2008   | Disposition Status: Filed                                       |
| Effective Date Requested (New): 09/01/2008                   |                              | Effective Date (New): 09/01/2008                                |
| Effective Date Requested (Renewal):                          |                              | Effective Date (Renewal):                                       |
| State Filing Description:                                    |                              |   |

## General Information

|   |                                       |
|---|---------------------------------------|
| Project Name: CW CP Fire Protection Classification (Rule 2.2) - AAIS-2008-8 | Status of Filing in Domicile: Pending |
| Project Number: AAIS-2008-8   | Domicile Status Comments:             |
| Reference Organization:   | Reference Number:                     |
| Reference Title:  | Advisory Org. Circular:               |
| Filing Status Changed: 02/22/2008   |                                       |
| State Status Changed: 02/22/2008  | Deemer Date:                          |
| Corresponding Filing Tracking Number:                                       |                                       |
| Filing Description:   |                                       |
| Re: AAIS-2008-8   |                                       |
| Commercial Properties Program   |                                       |
| Fire Protection Classification - Rule 2.2                                   |                                       |

On behalf of our affiliated companies, the American Association of Insurance Services (AAIS) is filing changes to the

|                                 |   |                               |  |
|---------------------------------|---|-------------------------------|--|
| <i>SERFF Tracking Number:</i>   | <i>AMAX-125481642</i>   | <i>State:</i>                 | <i>Arkansas</i>  |
| <i>Filing Company:</i>          | <i>American Association of Insurance Services</i>                                 | <i>State Tracking Number:</i> | <i>EFT \$50</i>  |
| <i>Company Tracking Number:</i> | <i>AAIS-2008-8</i>  |                               |  |
| <i>TOI:</i>                     | <i>01.0 Property</i>  | <i>Sub-TOI:</i>               | <i>01.0001 Commercial Property (Fire and Allied Lines)</i> |
| <i>Product Name:</i>            | <i>Commercial Properties</i>  |                               |  |
| <i>Project Name/Number:</i>     | <i>CW CP Fire Protection Classification (Rule 2.2) - AAIS-2008-8 /AAIS-2008-8</i> |                               |  |

above captioned Program. AAIS is proposing that the three fire protection definitions currently on file be replaced with a seven-part fire protection definition system. This change to the fire protection definitions will allow for greater refinement in the protection factors that are used in calculating the fire premium and thus allow affiliated insurers to more accurately classify and rate for the risks assumed.

The Filing Memorandums provide detailed descriptions of the changes and additions being proposed at this time. Copies of all materials are enclosed.

We propose that the filing become effective September 1, 2008. Companies will be advised to take the filing action outlined in the attached company action exhibit.

Please be advised that, upon approval, the materials that are the subject of this filing may also be provided to affiliated members and subscribers in an electronic format. We will be happy to furnish you the same materials electronically, upon request. Due to differences in printer configurations or other hardware or software differences, the appearance of the materials that are the subject of this filing may be altered slightly when produced by another system. Such alterations will be cosmetic only and will not affect the content of the filed materials.

## Company and Contact

### Filing Contact Information

|  |                        |
|--|------------------------|
| Norma Jean Knight, Filings/Compliance Specialist | normak@aaisonline.com  |
| 1745 South Naperville Road                       | (630) 681-8347 [Phone] |
| Wheaton, IL 60187-8132                           | (630) 681-8356[FAX]    |

### Filing Company Information

|  |                         |                             |
|--|-------------------------|-----------------------------|
| American Association of Insurance Services | CoCode: 31400           | State of Domicile: Delaware |
| 1745 S. Naperville Road                    | Group Code:             | Company Type:               |
| Wheaton, IL 60187-8132                     | Group Name:             | State ID Number:            |
| (630) 681-8347 ext. [Phone]                | FEIN Number: 36-2021360 |                             |

-----

*SERFF Tracking Number:*      *AMAX-125481642*      *State:*      *Arkansas*  
*Filing Company:*      *American Association of Insurance Services*      *State Tracking Number:*      *EFT \$50*  
*Company Tracking Number:*      *AAIS-2008-8*  
*TOI:*      *01.0 Property*      *Sub-TOI:*      *01.0001 Commercial Property (Fire and Allied Lines)*  
  
*Product Name:*      *Commercial Properties*  
*Project Name/Number:*      *CW CP Fire Protection Classification (Rule 2.2) - AAIS-2008-8 /AAIS-2008-8*

## **Filing Fees**

*Fee Required?*      *Yes*  
*Fee Amount:*      *\$50.00*  
*Retaliatory?*      *No*  
*Fee Explanation:*  
*Per Company:*      *No*

| <i>COMPANY</i>                                    | <i>AMOUNT</i>  | <i>DATE PROCESSED</i> | <i>TRANSACTION #</i> |
|---|----------------|-----------------------|----------------------|
| <i>American Association of Insurance Services</i> | <i>\$50.00</i> | <i>02/11/2008</i>     | <i>17914451</i>      |

|                                 |   |                               |  |
|---------------------------------|---|-------------------------------|--|
| <i>SERFF Tracking Number:</i>   | <i>AMAX-125481642</i>   | <i>State:</i>                 | <i>Arkansas</i>  |
| <i>Filing Company:</i>          | <i>American Association of Insurance Services</i>                                 | <i>State Tracking Number:</i> | <i>EFT \$50</i>  |
| <i>Company Tracking Number:</i> | <i>AAIS-2008-8</i>  |                               |  |
| <i>TOI:</i>                     | <i>01.0 Property</i>  | <i>Sub-TOI:</i>               | <i>01.0001 Commercial Property (Fire and Allied Lines)</i> |
| <i>Product Name:</i>            | <i>Commercial Properties</i>  |                               |  |
| <i>Project Name/Number:</i>     | <i>CW CP Fire Protection Classification (Rule 2.2) - AAIS-2008-8 /AAIS-2008-8</i> |                               |  |

## Correspondence Summary

### Dispositions

| <b>Status</b> | <b>Created By</b> | <b>Created On</b> | <b>Date Submitted</b> |
|---------------|-------------------|-------------------|-----------------------|
| Filed         | Llyweyia Rawlins  | 02/22/2008        | 02/22/2008            |

|                                 |   |                               |  |
|---------------------------------|---|-------------------------------|--|
| <i>SERFF Tracking Number:</i>   | <i>AMAX-125481642</i>   | <i>State:</i>                 | <i>Arkansas</i>  |
| <i>Filing Company:</i>          | <i>American Association of Insurance Services</i>                                 | <i>State Tracking Number:</i> | <i>EFT \$50</i>  |
| <i>Company Tracking Number:</i> | <i>AAIS-2008-8</i>  |                               |  |
| <i>TOI:</i>                     | <i>01.0 Property</i>  | <i>Sub-TOI:</i>               | <i>01.0001 Commercial Property (Fire and Allied Lines)</i> |
| <i>Product Name:</i>            | <i>Commercial Properties</i>  |                               |  |
| <i>Project Name/Number:</i>     | <i>CW CP Fire Protection Classification (Rule 2.2) - AAIS-2008-8 /AAIS-2008-8</i> |                               |  |

## Disposition

Disposition Date: 02/22/2008

Effective Date (New): 09/01/2008

Effective Date (Renewal):

Status: Filed

Comment:

Rate data does NOT apply to filing.

SERFF Tracking Number: AMAX-125481642 State: Arkansas

Filing Company: American Association of Insurance Services State Tracking Number: EFT \$50

Company Tracking Number: AAIS-2008-8

TOI: 01.0 Property Sub-TOI: 01.0001 Commercial Property (Fire and Allied Lines)

Product Name: Commercial Properties

Project Name/Number: CW CP Fire Protection Classification (Rule 2.2) - AAIS-2008-8 /AAIS-2008-8

| Item Type           | Item Name                                 | Item Status | Public Access |
|---------------------|---|-------------|---------------|
| Supporting Document | Filing Memo - AR                          | Filed       | Yes           |
| Supporting Document | SBS - AR                                  | Filed       | Yes           |
| Supporting Document | Company Action Exhibit                    | Filed       | Yes           |
| Rate                | Fire Protection Classification (Rule 2.2) | Filed       | Yes           |
| Rate                | Fire Protection Classification (Rule 2.2) | Filed       | Yes           |
| Rate                | Fire Protection Classification (Rule 2.2) | Filed       | Yes           |
| Rate                | Fire Protection Classification (Rule 2.2) | Filed       | Yes           |
| Rate                | Fire Protection Classification (Rule 2.2) | Filed       | Yes           |

|                                 |   |                               |  |
|---------------------------------|---|-------------------------------|--|
| <i>SERFF Tracking Number:</i>   | <i>AMAX-125481642</i>   | <i>State:</i>                 | <i>Arkansas</i>  |
| <i>Filing Company:</i>          | <i>American Association of Insurance Services</i>                                 | <i>State Tracking Number:</i> | <i>EFT \$50</i>  |
| <i>Company Tracking Number:</i> | <i>AAIS-2008-8</i>  |                               |  |
| <i>TOI:</i>                     | <i>01.0 Property</i>  | <i>Sub-TOI:</i>               | <i>01.0001 Commercial Property (Fire and Allied Lines)</i> |
| <i>Product Name:</i>            | <i>Commercial Properties</i>  |                               |  |
| <i>Project Name/Number:</i>     | <i>CW CP Fire Protection Classification (Rule 2.2) - AAIS-2008-8 /AAIS-2008-8</i> |                               |  |

## Rate Information

Rate data does NOT apply to filing.

SERFF Tracking Number: AMAX-125481642 State: Arkansas

Filing Company: American Association of Insurance Services State Tracking Number: EFT \$50

Company Tracking Number: AAIS-2008-8

TOI: 01.0 Property Sub-TOI: 01.0001 Commercial Property (Fire and Allied Lines)

Product Name: Commercial Properties

Project Name/Number: CW CP Fire Protection Classification (Rule 2.2) - AAIS-2008-8 /AAIS-2008-8

## Rate/Rule Schedule

| Review Status: | Exhibit Name:                             | Rule # or Page #:        | Rate Action | Previous State Filing Attachments Number: |
|----------------|---|--------------------------|-------------|---|
| Filed          | Fire Protection Classification (Rule 2.2) | Rules - 2                | Replacement | Rules - 2.PDF                             |
| Filed          | Fire Protection Classification (Rule 2.2) | Rules - 3                | Replacement | Rules - 3.PDF                             |
| Filed          | Fire Protection Classification (Rule 2.2) | Rules - 4                | Replacement | Rules - 4.PDF                             |
| Filed          | Fire Protection Classification (Rule 2.2) | Rating Information - 10  | Replacement | Rating Information - 10.PDF               |
| Filed          | Fire Protection Classification (Rule 2.2) | Rating Information - 10a | New         | Rating Information - 10a.PDF              |



# AMERICAN ASSOCIATION OF INSURANCE SERVICES COMMERCIAL PROPERTIES MANUAL

## ARKANSAS

### RULE 2 -- DEFINITIONS

#### 2.1 Construction

The following construction definitions apply to all perils other than Earthquake:

**Frame** -- Buildings where the exterior walls are wood or other combustible materials, including construction where combustible materials are combined with other materials such as brick veneer, stone veneer, wood iron-clad, and stucco on wood.

**Masonry Joisted** -- Buildings where the exterior walls are constructed of masonry materials such as adobe, brick, concrete, gypsum block, hollow concrete block, stone, tile, or similar materials, and where the floors and roof are combustible (disregarding floors resting directly on the ground).

**Non-combustible** -- Buildings where the exterior walls and the floors and roof are constructed of, and supported by, metal, asbestos, gypsum, or other noncombustible materials.

**Masonry Non-combustible** -- Buildings where the exterior walls are constructed of masonry materials, as described in Masonry Joisted above, with the floors and roof of metal or other non-combustible materials.

**Modified Fire Resistive** -- Buildings where the exterior walls and the floors and roof are constructed of masonry or fire resistive material with a fire resistance rating of one or more, but less than two hours.

**Fire Resistive** -- Buildings where the exterior walls and the floors and roof are constructed of masonry or fire resistive materials having a fire resistance rating of not less than two hours.

# AMERICAN ASSOCIATION OF INSURANCE SERVICES COMMERCIAL PROPERTIES MANUAL

## ARKANSAS

### 2.2 Protection

Fire protection recognizes fire departments, water supply, and communications. Specific rates already recognize the available protection. Class rates are calculated recognizing the following protection classifications:

**Protected** -- Buildings located within five road miles of a responding fire department and within 1,000 feet of a fire hydrant are to be classified as Protected, as follows:

|             |  |
|-------------|--|
| Protected 1 | One mile or less from responding fire department.                              |
| Protected 2 | More than one mile, but two miles or less from responding fire department.     |
| Protected 3 | More than two miles, but three miles or less from responding fire department.  |
| Protected 4 | More than three miles, but four miles or less from responding fire department. |
| Protected 5 | More than four miles, but five miles or less from responding fire department.  |

**Partially Protected** -- Building is located more than 1,000 feet away from a fire hydrant, but is within five road miles of a responding fire department.

**Unprotected** -- Buildings located in areas that are classified as neither protected nor partially protected.

### 2.3 Location

A location is each separately rated, non-communicating building or structure.

### 2.4 Miscellaneous Locations

When property at five or more locations is covered on a combined/blanket basis as described in Rule 6, the values at miscellaneous locations (that fall within the maximum value requirement) can be disregarded if the Average Rate Method is used to develop the rating information.

Miscellaneous locations are those locations with values less than \$150,000. The sum of the values at all permitted miscellaneous locations cannot exceed a maximum of 10% of the total value at all covered locations.

#### 2.4.1 Determination of Miscellaneous Locations

|               |   |
|---------------|---|
| <b>Step 1</b> | Identify all locations and the covered values at each location. |
|---------------|---|

# AMERICAN ASSOCIATION OF INSURANCE SERVICES COMMERCIAL PROPERTIES MANUAL

## ARKANSAS

- Step 2** Combine the value of buildings and personal property at the same location if an average rate includes both buildings and personal property. (When a reporting form is used on renewal business, use average values. When a non-reporting form is used or when a reporting form is used on new business, use the total of the limits reflecting the appropriate coinsurance percentage.)
- Step 3** Multiply the total value of all locations by .10.
- Step 4** Beginning with the lowest valued location, in ascending order determine the sum of the value of items at locations with values of less than \$150,000. (The total value of these locations must be less than the result of Step 3 above.)

Example:

| Location Number | Values             |
|-----------------|--------------------|
| 1               | \$1,000,000        |
| 2               | 250,000            |
| 3               | 100,000            |
| 4               | 75,000             |
| 5               | 50,000             |
| 6               | 25,000             |
| 7               | 25,000             |
| <b>Total</b>    | <b>\$1,525,000</b> |

- Step 1** Locations 1 - 7 are eligible locations
- Step 2** Total value of all locations is \$1,525,000
- Step 3** The maximum amount of values permitted at all miscellaneous locations is \$152,500 (\$1,525,000 x .10)
- Step 4** Locations 5, 6, and 7 qualify as miscellaneous locations. The next highest valued location is location 4. However, the sum of the values at locations 4, 5, 6, and 7 exceeds the 10% maximum permitted.

### 2.4.2 Determination of Premium for Miscellaneous Locations

Although the values at miscellaneous locations are not used in determining the Average Rate, a premium must be charged for the property at the miscellaneous locations. Determine the premium for miscellaneous locations by multiplying the applicable average rate by the total of values at the Miscellaneous Locations.

AMERICAN ASSOCIATION OF INSURANCE SERVICES  
COMMERCIAL PROPERTIES MANUAL  
ARKANSAS  
LOSS COST RATING INFORMATION

**RULE 2.1 CONSTRUCTION**

| CONSTRUCTION/CLASS                            | FACTORS |
|---|---------|
| FRAME   |         |
| Buildings except code 23000                   | 1.300   |
| Contents                                      | 1.300   |
| Builders' risks - code 23000                  | 2.000   |
| MASONRY JOISTED                               |         |
| Buildings                                     | 1.000   |
| Contents                                      | 1.000   |
| NON-COMBUSTIBLE                               |         |
| Buildings except codes                        |         |
| 20100 20200 20400 20500 21500                 |         |
| 21910 21920 22800 22900 23000                 | 0.853   |
| Contents except codes                         |         |
| 20100 20200 20400 20500 21500                 |         |
| 21910 21920 22800 22900 31690                 | 0.889   |
| Builders' risks - code 23000                  | 0.420   |
| Bldg matl - yards code 31690                  | 0.100   |
| Buildings - all others                        | 0.560   |
| Contents - all others                         | 0.583   |
| MASONRY NON-COMBUSTIBLE                       |         |
| Buildings except code 23000                   | 0.450   |
| Contents                                      | 0.607   |
| Builders' risks - code 23000                  | 0.250   |
| MODIFIED FIRE RESISTIVE AND<br>FIRE RESISTIVE |         |
| Buildings                                     | 0.250   |
| Contents                                      | 0.435   |

AMERICAN ASSOCIATION OF INSURANCE SERVICES  
COMMERCIAL PROPERTIES MANUAL

LOSS COST RATING INFORMATION

RULE 2.2 PROTECTION

|                     | Building<br>Factors | Contents<br>Factors |
|---------------------|---------------------|---------------------|
| Protected 1         | 0.784               | 0.872               |
| Protected 2         | 0.792               | 0.881               |
| Protected 3         | 0.800               | 0.890               |
| Protected 4         | 0.808               | 0.899               |
| Protected 5         | 0.816               | 0.908               |
| Partially Protected | 1.158               | 1.150               |
| Unprotected         | 1.526               | 1.450               |

SERFF Tracking Number: AMAX-125481642 State: Arkansas  
Filing Company: American Association of Insurance Services State Tracking Number: EFT \$50  
Company Tracking Number: AAIS-2008-8  
TOI: 01.0 Property Sub-TOI: 01.0001 Commercial Property (Fire and Allied Lines)  
Product Name: Commercial Properties  
Project Name/Number: CW CP Fire Protection Classification (Rule 2.2) - AAIS-2008-8 /AAIS-2008-8

## Supporting Document Schedules

**Review Status:**  
**Satisfied -Name:** Filing Memo - AR Filed 02/22/2008  
**Comments:**  
**Attachment:**  
Filing Memo - AR.PDF

**Review Status:**  
**Satisfied -Name:** SBS - AR Filed 02/22/2008  
**Comments:**  
**Attachment:**  
SBS - AR.PDF

**Review Status:**  
**Satisfied -Name:** Company Action Exhibit Filed 02/22/2008  
**Comments:**  
**Attachment:**  
Company Action Exhibit.PDF

**AMERICAN ASSOCIATION OF INSURANCE SERVICES  
COMMERCIAL PROPERTIES  
REVISION TO FIRE PROTECTION DEFINITIONS  
FILING MEMORANDUM**

**ARKANSAS**

For a number of years, the AAIS Commercial Properties Program has featured a simplified fire protection classification system for class-rated risks. The AAIS fire protection definitions rely upon distance from the responding fire department and distance from a fire hydrant to establish the following three levels of fire protection:

**Protected** -- Building is located within 1,000 feet of a fire hydrant and is within five road miles of a responding fire department.

**Partially Protected** -- Building is located more than 1,000 feet away from a fire hydrant, but is within five road miles of a responding fire department.

**Unprotected** -- Buildings located in areas that are classified as neither protected nor partially protected.

The classification of the property as Protected, Partially Protected, or Unprotected determines the protection factor used in calculating the fire premium for the risk.

At this time, AAIS is proposing that the three fire protection definitions described above be replaced with a seven-part fire protection definition system. This change to the fire protection definitions will allow for greater refinement in the protection factors that are used in calculating the fire premium and thus allow affiliated insurers to more accurately classify and rate for the risks assumed.

On the following pages, the definition for Protected locations has been modified to take into consideration the distance between the actual risk being insured and the responding fire department. At this time, a modest decrease for those risks closest to the responding fire department is being proposed on the attached pages. A modest increase is proposed for those risks that are farther from the responding fire department, but that are still no more than five miles away from that fire department.

The following information is provided for your review:

|  |        |
|--|--------|
| Explanation of Change.....                 | Page 1 |
| Revised Fire Protection Definitions .....  | Page 2 |
| Fire Protection Factors.....               | Page 3 |
| Hypothetical Measurement Calculations..... | Page 4 |

We have also provided copies of the manual pages that have been revised to accommodate the protection classification changes described in this memorandum.

**AMERICAN ASSOCIATION OF INSURANCE SERVICES  
COMMERCIAL PROPERTIES  
REVISION TO FIRE PROTECTION DEFINITIONS  
FILING MEMORANDUM**

**ARKANSAS**

The location of the building(s) determines its fire protection classification as defined below:

**Protected**

Buildings located within five road miles of a responding fire department and within 1,000 feet of a fire hydrant are to be classified as Protected, as follows:

- Protected 1 (P1) One mile or less from responding fire department.
- Protected 2 (P2) More than one mile, but two miles or less from responding fire department.
- Protected 3 (P3) More than two miles, but three miles or less from responding fire department.
- Protected 4 (P4) More than three miles, but four miles or less from responding fire department.
- Protected 5 (P5) More than four miles, but five miles or less from responding fire department.

**Partially Protected**

Buildings located within five road miles of a responding fire department but that do not otherwise qualify for the Protected classification are to be classified as Partially Protected.

**Unprotected**

Buildings that do not qualify for the Protected or Partially Protected classifications are to be classified as Unprotected.



**AMERICAN ASSOCIATION OF INSURANCE SERVICES  
COMMERCIAL PROPERTIES  
REVISION TO FIRE PROTECTION DEFINITIONS  
FILING MEMORANDUM**

**ARKANSAS**

**PROTECTION RELATIVITIES**

| <b>Insurance Services Office</b> |  |   |
|----------------------------------|--|---|
| <b>Protection Class</b>          | <b>Frame, Joisted Masonry, Non-Combustible</b> | <b>Masonry Non-Combustible, Modified Fire Resistive, Fire Resistive</b> |
| 1                                | 0.88   | 0.90  |
| 2                                | 0.92   | 0.94  |
| 3                                | 0.96   | 0.97  |
| 4                                | 0.98   | 0.98  |
| 5                                | 1.00   | 1.00  |
| 6                                | 1.06   | 1.05  |
| 7                                | 1.18   | 1.14  |
| 8                                | 1.30   | 1.24  |
| 8B                               | 1.42   | 1.34  |
| 9                                | 1.42   | 1.34  |
| 10                               | 1.72   | 1.58  |

| <b>American Association of Insurance Services</b> |                             |                 |                              |                 |                       |                 |
|---|-----------------------------|-----------------|------------------------------|-----------------|-----------------------|-----------------|
| <b>Protection Definition</b>                      | <b>Current Relativities</b> |                 | <b>Proposed Relativities</b> |                 | <b>Percent Change</b> |                 |
|   | <b>Building</b>             | <b>Contents</b> | <b>Building</b>              | <b>Contents</b> | <b>Building</b>       | <b>Contents</b> |
| P1  | 0.800                       | 0.890           | 0.784                        | 0.872           | -2.00%                | -2.02%          |
| P2  | 0.800                       | 0.890           | 0.792                        | 0.881           | -1.00%                | -1.01%          |
| P3  | 0.800                       | 0.890           | 0.800                        | 0.890           | N/C                   | N/C             |
| P4  | 0.800                       | 0.890           | 0.808                        | 0.899           | 1.00%                 | 1.01%           |
| P5  | 0.800                       | 0.890           | 0.816                        | 0.908           | 2.00%                 | 2.02%           |
| PP  | 1.158                       | 1.150           | 1.158                        | 1.150           | N/C                   | N/C             |
| Unprotected                                       | 1.526                       | 1.450           | 1.526                        | 1.450           | N/C                   | N/C             |

**AMERICAN ASSOCIATION OF INSURANCE SERVICES  
COMMERCIAL PROPERTIES  
REVISION TO FIRE PROTECTION DEFINITIONS  
FILING MEMORANDUM**

**ARKANSAS**

**CALCULATION OF HYPOTHETICAL MEASUREMENT**

| <b>Protection Definition</b> | <b>Current Relativities</b> |                 | <b>Proposed Relativities</b> |                 | <b>Hypothetical Distribution</b> |                 |
|------------------------------|-----------------------------|-----------------|------------------------------|-----------------|----------------------------------|-----------------|
|                              | <b>Building</b>             | <b>Contents</b> | <b>Building</b>              | <b>Contents</b> | <b>Building</b>                  | <b>Contents</b> |
| P1                           | 0.800                       | 0.890           | 0.784                        | 0.872           | 15.5%                            | 12.1%           |
| P2                           | 0.800                       | 0.890           | 0.792                        | 0.881           | 17.9%                            | 14.0%           |
| P3                           | 0.800                       | 0.890           | 0.800                        | 0.890           | 9.5%                             | 7.5%            |
| P4                           | 0.800                       | 0.890           | 0.808                        | 0.899           | 3.6%                             | 2.8%            |
| P5                           | 0.800                       | 0.890           | 0.816                        | 0.908           | 1.2%                             | 0.9%            |
| PP                           | 1.158                       | 1.150           | 1.158                        | 1.150           | 8.2%                             | 5.6%            |
| Unprotected                  | 1.526                       | 1.450           | 1.526                        | 1.450           | 0.8%                             | 0.4%            |

Average Current Rating Factor 0.8917

Average Revised Rating Factor 0.8852

Percent Change -0.73%

Note: In calculating the Average Current Rating Factor and the Average Revised Rating Factor, we used the actual distribution for the following three categories:

Protected  
Partially Protected  
Unprotected

Actual distance to the fire department is not currently available; however, we are in the process of revising the AAIS statistical plan to capture distance from the fire department for those risks that are located not more than five miles from the responding fire department. Based on our experience, we judgmentally selected the following distribution for protected properties:

|                   |       |
|-------------------|-------|
| 0.00 – 1.00 miles | 32.5% |
| 1.01 – 2.00 miles | 37.5% |
| 2.01 – 3.00 miles | 20.0% |
| 3.01 – 4.00 miles | 7.5%  |
| 4.01 – 5.00 miles | 2.5%  |

## PROPOSED FIRE PROTECTION CLASSIFICATION

### AMERICAN ASSOCIATION OF INSURANCE SERVICES COMMERCIAL PROPERTIES MANUAL

#### STATE

#### RULE 2 -- DEFINITIONS

##### 2.2 Protection

Fire protection recognizes fire departments, water supply, and communications. Specific rates already recognize the available protection. Class rates are calculated recognizing the following protection classifications:

**Protected** -- Buildings located within five road miles of a responding fire department and within 1,000 feet of a fire hydrant are to be classified as Protected, as follows:

- |             |  |
|-------------|--|
| Protected 1 | One mile or less from responding fire department.                              |
| Protected 2 | More than one mile, but two miles or less from responding fire department.     |
| Protected 3 | More than two miles, but three miles or less from responding fire department.  |
| Protected 4 | More than three miles, but four miles or less from responding fire department. |
| Protected 5 | More than four miles, but five miles or less from responding fire department.  |

**Partially Protected** -- Building is located more than 1,000 feet away from a fire hydrant, but is within five road miles of a responding fire department.

**Unprotected** -- Buildings located in areas that are classified as neither protected nor partially protected.

## CURRENT FIRE PROTECTION CLASSIFICATION

### AMERICAN ASSOCIATION OF INSURANCE SERVICES COMMERCIAL PROPERTIES MANUAL

#### STATE

#### RULE 2 -- DEFINITIONS

##### 2.2 Protection

Fire protection recognizes fire departments, water supply, and communications. Specific rates already recognize the available protection. Class rates are calculated recognizing the following protection classifications:

**Protected** -- Building is located within 1,000 feet of a fire hydrant and is within five road miles of a responding fire department.

**Partially Protected** -- Building is located more than 1,000 feet away from a fire hydrant, but is within five road miles of a responding fire department.

**Unprotected** -- Buildings located in areas that are classified as neither protected nor partially protected.

## PROPOSED FIRE PROTECTION CLASSIFICATION

## CURRENT FIRE PROTECTION CLASSIFICATION

AMERICAN ASSOCIATION OF INSURANCE SERVICES  
COMMERCIAL PROPERTIES MANUAL

STATE

LOSS COST RATING INFORMATION

### RULE 2.2 PROTECTION

|                     | Building<br>Factors | Contents<br>Factors |
|---------------------|---------------------|---------------------|
| Protected 1         | 0.XXX               | 0.XXX               |
| Protected 2         | 0.XXX               | 0.XXX               |
| Protected 3         | 0.XXX               | 0.XXX               |
| Protected 4         | 0.XXX               | 0.XXX               |
| Protected 5         | 0.XXX               | 0.XXX               |
| Partially Protected | X.XXX               | X.XXX               |
| Unprotected         | X.XXX               | X.XXX               |

AMERICAN ASSOCIATION OF INSURANCE SERVICES  
COMMERCIAL PROPERTIES MANUAL

STATE

LOSS COST RATING INFORMATION

### RULE 2.2 PROTECTION

|           | Protected | Partially<br>Protected | Unprotected |
|-----------|-----------|------------------------|-------------|
| Buildings | X.XXX     | X.XXX                  | X.XXX       |
| Contents  | X.XXX     | X.XXX                  | X.XXX       |

### COMMENTS:

The Current CP fire protection classification system features a simplified 3-tiered protection definition that is based upon the distance of the insured risk from the responding fire department and distance from a fire hydrant. The corresponding rating information provides factors for each of the 3 levels of protection, for buildings and contents coverage respectively.

The Proposed CP fire protection classification system further refines the Protected class within the Current definition to include 5 levels of classification based upon the distance of the insured risk from the responding fire department. This refinement results in a 7-tier fire protection classification. The corresponding rating information provides factors for each of the 7 levels of protection. However, rating information for Partially Protected and Unprotected classes remain unchanged from those currently on file; rating information for the currently filed Protected class is refined to provide a factor for each of the 5 underlying levels of protection, for buildings and contents coverage respectively.

For purpose of this exhibit, only the text of Rule 2.2 and related rating information that is the subject of this filing are displayed. Note that the refinement of the fire protection classification caused shift of text on several pages adjacent to the page where the subject revision is located. All impacted pages are being submitted for filing at this time.

# **AMERICAN ASSOCIATION OF INSURANCE SERVICES**

## **COMPANY ACTION EXHIBIT**

### **ARKANSAS**

#### **COMMERCIAL LINES MANUAL RULES AND SUPPLEMENTAL RATING INFORMATION**

Companies that are affiliated with AAIS for rules for this line of insurance:

- can adopt AAIS rules without notifying the Arkansas Insurance Department (ARID).

Companies are advised to make an internal (drawer) filing to document what AAIS materials are used and their effective date.